

Message Text

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DEPARTMENT PASS OPIC FOR E. HAWKINS

E.O. 11652: N/A
TAGS: EFIN, OPIC, YO
SUBJECT: OPIC REQUEST FOR POLITICAL RISK INSURANCE: UNIVERSAL
ENGINEERING CORPORATION (158-77-343)

REF: OPIC MEMORANDUM DATED MAY 12, 1977

1. EMBASSY SUBMITS FOLLOWING PRELIMINARY COMMENTS ON PLANNED JOINT VENTURE BETWEEN UNIONINVEST, SARAJEVO AND UNVERSAL ENGINEERING CORPORATION.

2. NATURE AND PURPOSE: UNIVERSAL ENGINEERING HAS ENTERED INTO NEGOTIATIONS WITH UNIONINVEST ON A JOINT VENTURE AGREEMENT WHICH CALLS FOR COLLABORATION IN CONSTRUCTION OF SOLID WASTE TREATMENT FACILITIES. UNIONINVEST HAS EXTENSIVE EXPERIENCE IN THE DESIGN, ENGINEERING, AND CONSTRUCTION OF WASTE WATER TREATMENT FACILITIES THROUGHOUT YUGOSLAVIA. THE ENTERPRISE IS ALSO A MAJOR SUPPLIER OF WASTE WATER TREATMENT EQUIPMENT, MANUFACTURING A WIDE VARIETY OF PUMPS, FILTRATION SYSTEMS, AERATION EQUIPMENT, AND RELATED PERIPHERAL DEVICES AND MACHINERY.

3. IS IS ANTICIPATED THAT JOINT VENTURE WILL BE CARRIED OUT IN TWO PHASES. IN THE FIRST PHASE, THE TWO FIRMS WILL FORM A JOINT
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DESIGN OFFICE IN WHICH UNIONINVEST AND UNVERSAL ENGINEERS WILL WORK TOGETHER IN PREPARING BID PROPOSALS AND DRAWING UP FACILITY PLANS. IF, AFTER TWO OR THREE YEARS OF COLLABORATION, IT IS DETERMINED THAT A SUFFICIENTLY LARGE MARKET EXISTS FOR SOLID WASTE TREATMENT EQUIPMENT, THE JOING VENTURE WILL IN THE SECOND PHASE FINANCE THE CONSTRUCTION OF A MANUFACTURING FACILITY. THIS FACILITY WILL PRODUCE, AMONG OTHER TYPES OF EQUIPMENT, SYSTEMS

FOR SORTING WASTE MATERIALS AND CONVERTING GARBAGE AND SLUDGE INTO FERTILIZERS AND GS. BASED ON PRELIMINARY ESTIMATES THE PLANT IS EXPECTED TO COST APPROXIMATELY DOLS 10 TO 20 MILLION AND WILL EMPLOY 200 TO 300 WORKERS. THE TWO COMPANIES SEE A MARKET FOR THESE ENGINEERING AND CONSTRUCTION SERVICES AND EQUIPMENT BOTH IN YUGOSLAVIA AND WESTERN EUROPE.

4. THE FIRST PROJECT ON WHICH UNIVERSAL AND UNIONINVEST INTEND TO COLLABORATE IS THE NEW WASTE TREATMENT FACILITY PLANNED FOR SARAJEVO. THE FACILITY WILL COST DOLS 15 TO 20 MILLION AND WILL BE FINANCED IN PART BY IBRD LOANS.

5. PROBABLE ECONOMIC BENEFITS: IF THE ENVISIONED TECHNICAL COOPERATION AND NEW MANUFACTURING FACILITY MATERIALIZE, THE JOINT VENTURE WILL HAVE A SIGNIFICANT POSITIVE EFFECT ON THE YUGOSLAV ECONOMY. IT WILL GIVE A COMPETENT YUGOSLAV ENGINEERING FIRM ACCESS TO IMPORTANT NEW TECHNOLOGIES AND DESIGN EXPERTISE FOR WHICH THERE IS GREAT DEMAND IN THE COUNTRY'S RAPIDLY GROWING URBAN CENTERS. IT WILL ALSO ENABLE THE FIRM TO EXPAND ITS MANUFACTURING CAPABILITIES AND PROVIDE AN OPPORTUNITY TO SUBSTANTIALLY INCREASE EQUIPMENT AND ENGINEERING SALES BOTH IN YUGOSLAVIA AND WESTERN EUROPE. IN ADDITION TO THE BOOST GIVEN BY INCREASED EXPORTS, THE COUNTRY'S TRADE BALANCE WILL ALSO BE FAVORABLY EFFECTED BY A CONSIDERABLE REDUCTION IN IMPORTS OF SOLID WASTE TREATMENT EQUIPMENT.

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6. AT PRESENT, UNIONINVEST AND UNIVERSAL ENGINEERING HAVE NO PLANS FOR UNDERTAKING JOINT PROJECTS IN THE U.S. OR EXPORTING EQUIPMENT TO THE U.S. MARKET.

7. THE EMBASSY FORESEES NO ADVERSE PUBLIC REACTION TO THE JOINT VENTURE IN THE HOST COUNTRY.

8. LONG-TERM COOPERATION BETWEEN U.S. AND YUGOSLAV ENTERPRISES ALONG THE LINES OF THE PROPOSED JOINT VENTURE IS IN CONFORMITY WITH OVERALL U.S. POLICY OBJECTIVE OF EXPANDING AND STRENGTHENING ECONOMIC TIES BETWEEN THE TWO COUNTRIES.
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